

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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FOLLOWING SENT SECSTATE WASHDC FROM HONG KONG 27 MAR 75:

QUOTE LIMITED OFFICIAL USE HONG KONG 3201

E.O. 11652: N/A

TAGS: ETRD HK US

SUBJ: HONG KONG EXCLUSION FROM GSP -- INITIAL REACTION

SUMMARY: HKG 2 #

AS APPRECIATIVE OF VERBAL ASSURANCES

PASSED PER REFTEL#. PER OUR SUGGESTION, HKG PRESS STATEMENT, WHILE EXPRESSING DISAPPOINTMENT, WAS AS MILD AS THEY COULD MAKE IT AND STILL BE SEEN TO BE DOING SOMETHING.

JORDAN, IN RESPONSE TO PRESS QUERY, SAID HE WILL GO TO WASHINGTON IN MID-APRIL TO PRESS HK CASE. THE CHINESE PRESS IS STILL PONDERING THE QUESTION AND REACTION, AS OPPOSED TO REPORTAGE, HAS BEEN NEGLIGIBLE. IN CONTRAST, THE ENGLISH LANGUAGE PRESS REACTION HAS BEEN SHARP--THE KEY THEMES HAVE BEEN DIAPPOINTMENT, DISCRIMINATION, AND THE VANITY OF PAST GOOD WILL. SEVERAL MEMBERS OF THE AMERICAN BUSINESS COMMUNITY HAVE CALLED US TO DENOUNCE HK'S EXCLUSION. ON THE ADVICE OF THE PR FIRM HANDLING THE FORTNIGHT, WE HAVE HAD TO POSTPONE A PRESS CONFERENCE SCHEDULED FOR NEXT WEEK. END

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SUMMARY.

1. FOLLOWING ANNOUNCEMENT OF EXECUTIVE ORDER, WE PASSED THE VERBAL ASSURANCE CONTAINED IN THE REFTEL TO DAVID JORDAN, THE DIRECTOR OF COMMERCE AND INDUSTRY. HE THANKED US AND SAID HE WOULD NONETHLESS HAVE TO GO TO WASHINGTON TO PURSUE HONG KONG'S CASE BECAUSE THE LEGISLATIVE COUNCIL WOULD DEMAND VISIBLE ACTION. HE PLANNED TO ANNOUNCE THIS AT NEXT WEEK'S LEGCO MEETING, BUT WAS ASKED BY A TELEVISION REPORTER LATER IN THE DAY IF HE PLANNED TO GO AND SAID HE DID.

2. TRUE TO THE HONG KONG PATTERN, THE CHINESE PRESS REACTION WAS SPARSE ON THE FIRST DAY. MOST PAPERS MERELY QUOTED FROM THE HKG PRESS RELEASE AND THE STATEMENTS OF LOCAL NOTABLES EXPRESSING DISAPPOINTMENT. MORE EXTENSIVE TREATMENT IS EXPECTED IN THURSDAY'S PAPERS.

3. THE ENGLISH LANGUAGE PRESS WAS LESS RETICENT. THE STANDARD REPORTED SHOCK AT THE "BIAS" SHOWN IN THE US DECISION. IT QUOTED C.P. HUNG, THE PRESIDENT OF THE CHINESE MANUFACTURERS' ASSOCIATION, AS SAYING THIS WOULD DIVERT BOTH TRADE AND INVESTMENT AWAY FROM HONG KONG. HUNG ALSO SAID, "IF THE LEVEL OF ECONOMIC DEVELOPMENT IS THE BASIS FOR GRANTING PREFERENCE, WE QUESTION THE CHOICE OF SINGAPORE. AS FAR AS PER CAPITA INCOME, WE HAVE A LOWER FIGURE AND THEREFORE THE DECISION IS UNFAIR AND UNJUSTIFIED." FINALLY, HUNG MADE AN OBLIQUE REFERENCE TO KOREA'S, TAIWAN'S, AND THAILAND'S RENEGING ON RAW COTTON CONTRACTS AND REGRETTED THAT INTERNATIONAL GOOD WILL (I. E. HONG KONG' GOOD PERFORMANCE ON THIS COUNT) DOES NOT SEEM TO PAY.

4. THE SOUTH CHINA MORNING POST GAVE THE EO EXTENSIVE PLAY. A FRONT-PAGE ARTICLE WAS ENTITLED "132 COUNTRIES ON LIST -- BUT NOT HONG KONG." INSIDE, IT RAN AN EDITORIAL ENTITLED, "A BITTER BLOW FOR HONG KONG" WHICH ARGUED THAT THE DECISION PLACES SOME OF HONG KONG'S COMPETITORS AT AN UNFAIR ADVANTAGE, AN ADVANTAGE THEY ALREADY ENJOY TO SOME EXTENT THROUGH LOWER WAGE COSTS. IT URGED VIGOROUS REPRESENTATIONS BY THE HKG AND CONCLUDED THAT, LIMITED OFFICIAL USE

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"IN FAIRNESS TO AN OLD AND RELIABLE CUSTOMER, ... WASHINGTON MUST REVIEW THIS UNFAIR AND UNWARRANTED DECISION."

5. A NUMBER OF US BUSINESSMEN HAVE CALLED CONGEN TO EXPRESS DISAGREEMENT WITH USG DECISION. THEY HAVE SAID SUCH BLATANT DISCRIMINATION THREATENS THEIR BUSINESS ENVIRONMENT AND THEY INTEND TO WRITE TO THE USG. IN LINE

WITH THE SENSE OF THE REFTEL, WE HAVE TRIED TO STEER THEM AWAY FROM THE CONGRESS AND TOWARD TARGETS IN THE EXECUTIVE BRANCH. THE AMCHAM, WHICH PREVIOUSLY CABLED THE WHITE HOUSE ON THE SUBJECT, IS PREPARING A STRONGER FOLLOW-UP LETTER.

6. OUR PREVIOUSLY EXPRESSED CONCERN ABOUT THE CLIMATE FOR THE FORTHCOMING AMERICAN FORTNIGHT SEEMS WELL FOUNDED. THE PR FIRM HANDLING THE FORTNIGHT ACCOUNT SAYS THERE IS SUCH STRONG FEELING IN THE LOCAL BUSINESS COMMUNITY THAT IT BELIEVES WE MUST POSTPONE FOR AT LEAST TWO WEEKS AN EXTENSIVE INFORMATIONAL PRESS CONFERENCE ORIGINALLY SCHEDULED FOR NEXT WEEK. A BAND WAGON EFFECT IS A NECESSARY PREREQUISITE TO THE SUCCESSFUL MOUNTING OF SUCH A PROMOTIONAL EFFORT, AND THE LOSS OF MOMENTUM IMPLIED IN THIS POSTPONEMENT IS GOING TO REQUIRE EXTENSIVE DAMAGE MANAGEMENT ON OUR PART.

7. AND THIS WAS ONLY THE FIRST DAY. CROSS UNQUOTE KISSINGER

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